

# Reverse Mortgages – What Can You Expect?

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## Today we will discuss...

1. What is a Reverse Mortgage
  - Borrower/financial requirements
  - What's the process
2. What should you consider
  - Other options
  - Getting help
3. What happens when you vacate the property

## What is a Reverse Mortgage?

A reverse mortgage is a special loan that allows you to use equity in your home like cash. Unlike a regular mortgage, line of credit, or second mortgage, a reverse mortgage loan normally is not repaid until the borrower no longer lives in the home as their primary residence or they don't keep the obligations of the loan.



# Home Equity Conversion Mortgage (HECM)

- Insured by US Department of Housing and Urban and Development (HUD)
  - Reverse mortgage counseling session
- 
- Protects estate from having to repay more than the current value of the property
  - Borrower is protected if lender fails

## Borrower Requirements

### You must...

- be at least 62 years old
- own the property outright, or have significant equity
- primary residence



## Borrower Requirements *(continued)*

### You must...

- no delinquent federal debt
- be able to make regular payments of property taxes, insurance and any association fees
- take part in HECM counseling - provided by a HUD approved counselor



## HECM for Purchase

- You must be able to use your own cash, or other equity, to pay the difference between the HECM proceeds and the sales price plus closing costs.
- Allows borrower to move closer to family members or into a home that better meets their needs
- Can save borrower money in the long run (avoiding two separate closings)(



## Proprietary Reverse Mortgages

- Offers none of the consumer protections associated with a traditional HUD-insured reverse mortgage
- Useful if value of the property is more than HUD's limits - currently \$726,525 and you need access to more than that
- May offer different terms than traditional HUD product



## Not Appropriate for Everyone

- Reverse mortgages are more expensive than to traditional mortgages
- You still have to pay taxes, insurance, and keep the property maintained
- TV commercials may be misleading
- Your heirs might not inherit your home

## Reverse Mortgage Counseling

- Usually paid out of your pocket (can be free if you qualify)
- Can be in-person or over the phone
- Take someone you trust with you to the session

## Reverse Mortgage Counseling (*continued*)

- Be sure to bring your list of questions
- Take notes
- Make sure you completely understand everything

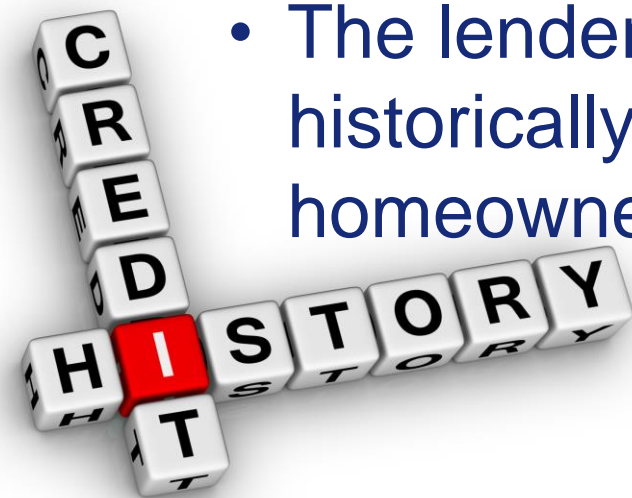
## After Your Counseling Session



- You should be confident about making an educated decision on whether a reverse mortgage is a the right solution for you.
- If you want to proceed with a reverse mortgage, you will be ready to find a HUD approved lender

# Financial Requirements

- While there are no specific credit scores required, your income, assets, living expenses, and credit history will be verified
- The lender will also confirm that you have historically paid your real estate taxes and homeowners/flood insurance premiums on time.



## Fees

- Normally paid at settlement from loan proceeds
- HECM Mortgage Insurance Premium
- Origination Fees
- Servicing Fees
- Third Party fees
- Repairs – *if required*







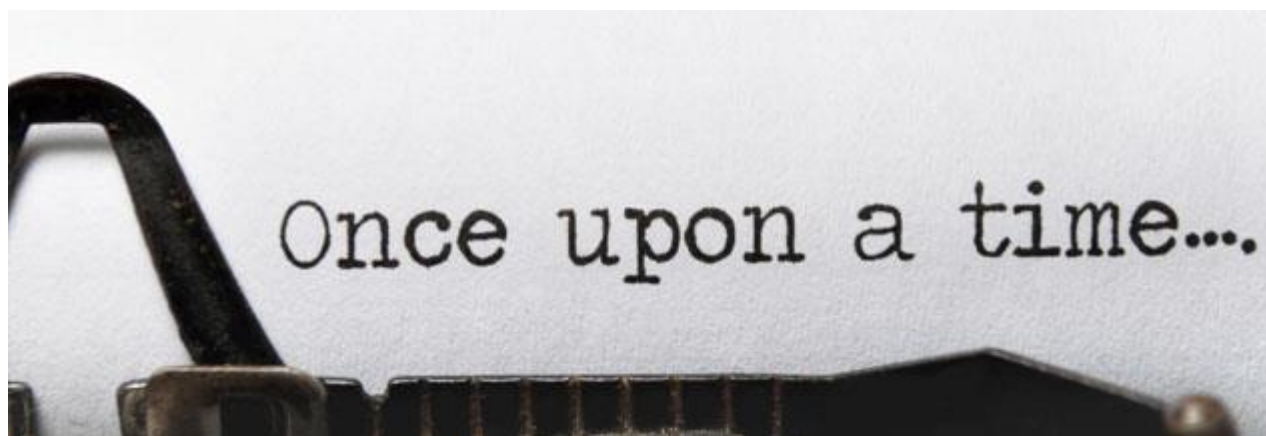
**Contrary to  
common belief...**

**You retain full  
ownership of your  
home with a reverse  
mortgage!**



## CONSUMER STORY

- Couple had a reverse mortgage for 11 years
  - Used \$40,000 in equity over course of loan
- Husband passed, wife now owes approximately \$80,000
  - Wife has nothing left for her Long-Term Care





## POINTS TO PONDER

Financial Need

Things to Avoid

Other Options



## Your Financial Needs

- Be prepared for emergencies
- Basic home improvements
- Help make ends meet
- Long Term in-home Care
- Can be used for anything\*

*\*This option can be risky*

## Things to Consider

- How much longer will you stay in the home?
- Are there other options available to help cover your needs?
- What about your estate?





## More Things to Consider

- How do your loved ones feel about this?
- When you permanently vacate the property the loan becomes due in full
- Can impact your eligibility for certain government benefits



## Payment Options

- Tenure
- Term
- Line of credit
- Single Lump Sum Disbursement  
– *for purchase loans*



*There are many payment options to choose from.*

## Other Options?

- Traditional mortgage
- Home Equity Line of Credit (HELOC)
- Assistance from other resources (*food stamps, energy assistance, and other county programs*) – *Check with your local Area Agency on Aging for resources.*
- Downsizing
- Renting a room to someone you trust



## Now or Later?

- The older you are, the more money you should be able to borrow
- As you age, you may not want to stay in the property and the equity may be better used to pay for Long Term Care away from home
- If you use all the equity at a younger age, you may not have enough resources as you get older



## Things to **AVOID**

- Borrowing money to fund other investments
- Using a reverse mortgage to help others\*
- Short-term needs

*\*This depends on the purpose of the assistance.*

## Drawbacks?

- Up-front insurance costs can make the loan more expensive than other alternatives
- If you use all of the equity in the home early on, you may not have anything left for a rainy day
- Can affect your ability to qualify for Medicaid or other government programs



## Talk it Out

Talk to family members, close friends, someone you trust like a neighbor, pastor, or social services person.

## Repaying the DEBT...

- Family members have the ability to pay the mortgage in full
- Sale of the property
- Property could be auctioned if the loan is not repaid





## **Remember!**

If you do not properly maintain the home, pay property taxes, or keep appropriate insurance on your home, the lender could foreclose on your home.



## Do Your Homework

- Call HUD to find a reverse mortgage counselor  
**1.800.569.4287**
- Get your list of HUD approved lenders from your counselor or search online at:  
[www.hud.gov](http://www.hud.gov)
- Call the PA Department of Banking and Securities to ask about your lender/broker  
**1.800.PA.BANKS (800.722.2657)**





**QUESTIONS???**

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